Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

CANFIN FINANCIAL GROUP

Investment Planning
Insurance Planning
Mortgage Planning

Tax Planning
Financial Planning
Estate Planning

Canfin Financial Group,
Client Services Dept.
680 Rexdale Blvd., Suite 26,
Toronto, ON M9W 0B5

For immediate service, contact your Canfin Advisor or,
Tel. 1-877-4-CANFIN
Fax. 905-829-0052
email: clientservices@canfin.com
web: www.canfin.com

Mutual Funds, GICs & Fee for Service Financial Planning provided through CANFIN Magellan Investments Inc.
Insurance products provided through CANFIN Capital Group Inc.

Please do not hesitate to contact your advisor for a Confidential Financial Review.

Ask 12 Questions Before Insuring YOUR HOME MORTGAGE

Homeowners with a mortgage, and the associated debt, often carry life insurance that was purchased when signing their mortgage papers. The lending institution generally sells creditor insurance to ensure that upon passing of the homeowner, the bank is not burdened with an unpayable debt. What institutions may not advise though is that homeowners can use their own personal life insurance policies for mortgage protection.

Here are several questions for you to ask before buying mortgage life insurance through a lending institution. Consider the alternative route to gain control: purchasing your own private life insurance.

1. How much are you really insured for? The lending institution's life insurance payout amount is limited to the amount left owing on the mortgage. As people pay off their mortgage, their mortgage life insurance also decreases. With personal policies, the death benefit does not decrease. If healthy, most people can purchase insurance to cover not only their debts, but also their lost future earnings. In fact, it is not uncommon for younger couples to require large amounts of coverage, sometimes in the millions of dollars. For this reason, it may be wiser to simply increase the coverage on an existing life insurance plan you may own, or purchase a new personal life insurance policy.

2. Is there a beneficiary with mortgage insurance? With mortgage insurance, there is only one beneficiary – the bank. This beneficiary cannot be changed. The lending institution is first in line to receive benefits of a mortgage insurance policy, and there is never any excess benefit that can be allocated to anyone else, such as a spouse. Owning your own distinct policy allows you to designate and/or change a beneficiary. As well, the beneficiary could decide how to use the insurance proceeds. Would it be wise to pay off the entire mortgage, refinance, or simply keep a very low-interest mortgage? These decisions can only be made if you own your own personal life insurance policy.

3. Is your mortgage insurance creditor proof? If you own the policy, the death benefit payment is protected from creditors. On the other hand, creditor insurance offered through your financial institution - which is actually the creditor – collects the proceeds at death.

Continued on page 2...

Continued from page 1...

4. Can I choose what to do with mortgage insurance proceeds? With creditor insurance, there is no ability to choose how the insurance proceeds are allocated. Simply put, the bank pays off the mortgage. But what if mortgage interest rates are low, and your spouse/partner is the designated beneficiary, does he/she have the option to invest all the life insurance proceeds, or pay off higher interest debt, versus paying off the mortgage? If you own a personal insurance policy, your beneficiaries could make these kinds of decisions.

5. Who will own and control the life insurance coverage? With Creditor Insurance, you have no ownership or control over an insurance policy. You pay the premiums but have no ability to change the plan or the beneficiary. As well, the creditor insurance is only in-force for the institution that controls your mortgage. Should you wish to change mortgages and/or lending institutions, your mortgage insurance is not portable. This may cause problems should new health issues arise that would jeopardize buying mortgage insurance at a different financial institution.

6. Who helps you determine your life insurance goals? Creditor insurance is designed to make the lender the only beneficiary. Personally owned life insurance programs can be designed by financial advisors in relation to your own unique goals. One consideration is that with creditor insurance, only the remaining debt is paid off, and there is only one death benefit paid. With a personal plan, the total face amount of insurance is paid out, and the beneficiary can decide what to do with excess death benefit proceeds. Creditor insurance does not consider any life insurance goals other than the payment of the mortgage debt. For this reason, it is wise to seek the advice of an experienced life insurance professional who will conduct a thorough life insurance needs analysis for you.

7. How can I ensure portability of my mortgage insurance? When it comes time to renew your mortgage, many people like to shop around for lower interest rates and better mortgage deals. If you are one of these people, it may be important to note that creditor insurance is not able to be carried from one institution to another. Conversely, an individual life insurance policy though may be kept as long as you wish, and can be portable from one mortgage to another. With personal life insurance policies, you have the ability to shop around for mortgages and not worry about obtaining the lenders creditor life insurance plan.

8. Can mortgage insurance be cancelled? Once you obtain creditor insurance, it cannot be cancelled by the institution. Your rates can increase, and the death benefit will decrease as you pay down your mortgage, but the policy cannot be cancelled, unless of course you decide to cancel the plan. Cancellation also occurs if you decide to take your mortgage to a new institution. Then you will have to reapply and qualify again for mortgage insurance at the new institution. This is not so with personally owned insurance policies. With personal life insurance policies, you are only underwritten at time of application. Creditor insurance is notably different because you must reapply and be underwritten if you take your mortgage to a different lending institution.

9. Can you convert your life insurance to permanent coverage? With creditor insurance, you have no ability to change or convert your policy. However, personally owned policies are able to be converted to other types of insurance should you wish, regardless of your health status at the time of conversion.

10. Will a surviving joint-owner retain coverage? Creditor insurance may cover two parties who jointly mortgage their property. However, it pays only once on the amount of the remaining mortgage, even if both were to pass away at the same time. In contrast, by owning your own insurance in the case where both parties pass away in a common accident, both life insurance benefits would be paid, thus adding increased value to the estate. With Creditor insurance, there is only ever one payout - the balance remaining on the mortgage. With personal policies, if both spouses were to pass away, the full amounts of both their personal policies would pay a death benefit.

11. Can you avoid future insurance medicals? If one is currently healthy, it may pay to take the opportunity today to acquire a personally owned life insurance policy - or increase the coverage on an existing plan - and keep it over time. Creditor insurance is underwritten based on blended rates between non-smokers and smokers, healthy risks and marginal risks. With personal insurance plans, an individual is underwritten based on their current individual health, and a person could qualify for non-smoker rates or even preferred rates if they are healthier than average. With creditor insurance, people pay insurance premiums based on a group rate, not on their individual rates. Why pay for blended rates if you are a non-smoker, and healthier than average?

12. What about group plans offered at work? Group life insurance plans at work provide for basic life insurance benefits without any medical underwriting. You may also be able to buy additional coverage with a group plan, though never fully control the plan as an individual owner of the policy. Thus group plans are great only as long as you are employed with the group. Should you change careers, or group plan carriers, your life insurance benefits may also change. This can be a problem if you quit working, and/or have an underlying health risk that could cause you to lose part of your insurance benefit plan. All bank or credit card plans, are also group plans with no true ownership, portability, and long-term continuance.